

Message Text

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51

ACTION ARA-20

INFO OCT-01 EUR-25 EA-11 ISO-00 EB-11 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 OMB-01 L-03 INT-08 SAM-01

NSC-10 SS-20 STR-08 CEA-02 PA-04 PRS-01 USIE-00 SSO-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8065

AMEMBASSY PARIS IMMEDIATE

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY SANTIAGO

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 02192

DEPARTMENT PASS TREASURY

E.O. 11652:YGDS-1

TAGS: EFIN, CI, UK

SUBJECT: PARIS CLUB MEETING ON CHILE DEBT

REF: STATE 31838

BEGIN SUMMARY: TREASURY REPS CALLED ON JOAN KELLEY,
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ASSISTANT SECRETARY, HM TREASURY, WHO WILL LEAD UK

DELEGATION TO PARIS CLUB MEETING. UK BELIEVES DEBT SHOULD BE RESCHEDULED ON TERMS SIMILAR TO THOSE AGREED IN 1965 AND 1972 AND THIS WOULD BE UK OPENING POSITION. IT BELIEVES CHILE DEBT RESCHEDULING SHOULD BE DEALT WITH IN ECONOMIC TERMS RATHER THAN POLITICAL. THEY WOULD BE WILLING TO MEET ON FEBRUARY 23 IF NECESSARY TO BRING NEGOTIATIONS TO A CONCLUSION. END SUMMARY

1. UK DELEGATION TO PARIS CLUB MEETING WILL BE LED BY JOAN KELLEY, HM TREASURY, WHO WILL BE ACCOMPANIED BY ELIZABETH BEVIN-TREASURY, MACGILLIVRAY-BANK OF ENGLAND, BLACKBURN-ECGD, AND FULERTON-FCO.

2. THE UK POSITION IS THAT THE CHILEANS SHOULD BE OFFERED SOMETHING LESS THAN 100 PERCENT DEBT RESCHEDULING. INITIAL CREDITORS POSITION SHOULD BE FOR TERMS SIMILAR TO THOSE AGREED IN 1965 AND 1972, I.E. RESCHEDULING OF 70 PERCENT OF DEBTS, TWO YEARS GRACE AND 5-6 YEARS FOR REPAYMENT. IT THINKS THAT ANY AGREEMENT SHOULD BE BASED ON THREE CONSIDERATIONS: (1) COST OF OIL IMPORTS SHOULD BE EXCLUDED FROM THE DISCUSSIONS; (2) CHILE MUST BE LOOKED AT IN THE CONTEXT OF OTHER DEBT RESCHEDULING EXERCISES AND THUS TERMS SHOULD NOT BE TOO GENEROUS, AND (3) CREDITORS MUST GIVE FAIR TERMS WHICH ARE NOT DETERMINED BY POLITICAL COLOR OF CURRENT CHILEAN GOVERNMENT IN POWER. THE ECONOMIC PROBLEMS OF CHILE MUST BE DEALT WITH AND CREDITOR POLICY MUST REMAIN CONSISTENT.

3. CHILEANS HAVE GIVEN SOME INDICATION TO UK THAT THEY WOULD LIKE 100 PERCENT DEBT RELIEF, 4 YEARS OF GRACE AND 10 YEARS FOR REPAYMENT, BUT CHILEANS WERE NOT SPECIFIC, DID NOT ACTUALLY CITE NUMBERS AND TERMS. THE BRITISH REACTION WAS THAT THE CHILEANS SHOULD "SEND BAIT AS WELL AS FISHERMEN." THE BRITISH WERE ALSO CURIOUS AS TO EXACTLY WHAT TERMS US WOULD FIND ACCEPTABLE. BRITISH BELIEVE AN EARLY OBLIGATION TO REPAY WOULD BE BETTER BECAUSE COPPER PRICES ARE CURRENTLY VERY HIGH.

4. BRITISH, FOR POLITICAL REASONS, WOULD LIKE TO GET A SETTLEMENT NOW (I.E., BEFORE THE ELECTIONS) AS LONG AS IT CONFIDENTIAL

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IS BASED ON A CONSISTENT PATTERN. UK STAFF EXPECTS TERMS OF ANY SETTLEMENT TO BE CLOSELY SCRUTINIZED BY PRESS AND PARLIAMENT, WHICH WILL ADD EMPHASIS TO UK POSITION OF AIMING TO GIVE THIS CHILEAN GOVERNMENT SAME TERMS AS PREVIOUS CHILEAN GOVERNMENT.

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